

COMMONWEALTH OF VIRGINIA

GENERAL FUND PRELIMINARY (UNAUDITED) ANNUAL REPORT

For the Fiscal Year Ended June 30, 2000

Presented on a Budgetary (Cash) Basis



William E. Landsidle
Comptroller
August 15, 2000

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COMMONWEALTH of VIRGINIA

Office of the Comptroller

WILLIAM E. LANDSIDLE, CPA
COMPTROLLER

P. O. BOX 1971
RICHMOND, VIRGINIA 23215-1971

August 15, 2000

The Honorable James S. Gilmore III
Governor
Commonwealth of Virginia
State Capitol
Richmond, Virginia 23219

Dear Governor Gilmore:

In compliance with the provisions of Section 2.1-207 of the *Code of Virginia*, I hereby submit my preliminary annual report on the financial condition of the General Fund of the Commonwealth for the fiscal year ended June 30, 2000.

The Commonwealth's ending fund balance in the General Fund is \$1.855 billion, measured on the cash basis of activity. This is an increase of \$255.7 million, or 16 percent, from the prior year ending fund balance of \$1.6 billion. The first graph on page 9 shows a comparison of the last five years.

Revenue Stabilization Fund

The Revenue Stabilization Fund has principal and interest on deposit of \$574.6 million reserved as a part of General Fund equity. The amount on deposit cannot exceed ten percent of the Commonwealth's average annual tax revenues derived from taxes on income and retail sales for FY 2000, FY 1999, and FY 1998. The maximum amount allowed in FY 2000 is \$864.9 million. The FY 2001 deposit into the Revenue Stabilization Fund, which is appropriated in the amount of \$103.3 million, is also reserved. Consistent with past policy, we have designated \$171.0 million from the General Fund balances to pay for a seventh deposit into the Fund which is required based on FY 2000 revenues. The Fund is routinely segregated from the General Fund and can be used only for constitutionally authorized purposes.

Amounts Available for Reappropriation

Various additional amounts are shown on the balance sheet as designated. Section 4-1.06(a)(1) of Chapter 1073, 2000 Acts of Assembly, requires reappropriation for fiscal year 2001 of unexpended appropriations for Legislative and Judicial Departments, as well as Independent Agencies, at June 30, 2000. Additionally, this Section of the Act gives the Governor authority to reappropriate unexpended Executive Department appropriations. Based on an analysis by the Department of Planning and Budget, \$151.8 million of this year's fund balance is designated for reappropriation in 2001 for operations, and \$352.0 million for capital project needs. Additionally, \$428.4 million is designated as available balances to meet the requirements of Chapter 1073.

Virginia Water Quality Improvement Fund

Section 10.1-2128 of the *Code of Virginia* established the Virginia Water Quality Improvement Fund. The Fund was established to provide Water Quality Improvement Grants to various entities to assist in pollution prevention and reduction. The Fund shall consist of amounts appropriated by the General Assembly. Unless otherwise specified by the general appropriation act, these appropriations shall consist of ten percent of revenues collected in excess of the official estimate and ten percent of any unreserved fund balance not required for reappropriation. For the year ended June 30, 2000, we have designated \$.6 million and \$2.1 million that represent ten percent of the excess revenue collections and ten percent of the unreserved fund balance not required for reappropriation, respectively. Upon appropriation by the General Assembly, \$2.7 million will be transferred from the General Fund to the Virginia Water Quality Improvement Fund.

This preliminary annual report is comprised of cash basis financial statements that present the financial condition, results of operations, and changes in fund balance of the Commonwealth's General Fund. The notes to the financial statements are an important and integral part of the statements.

This preliminary report is presented on an unaudited basis. In preparing this report, we relied upon the internal accounting controls of the Commonwealth that are designed to provide management with reasonable, but not absolute, assurances that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and are properly recorded to permit the preparation of financial statements.

The final Annual Report of the Comptroller, due on December 15, 2000, will include certain accruals and other information required for conformance with generally accepted accounting principles. It will be audited and will include any material adjustments recommended by the Auditor of Public Accounts.

We are proud to report that the Comprehensive Annual Financial Report for the year ended June 30, 1999, was awarded the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA). This is the fourteenth consecutive year that Virginia's Annual Report has received this award. In addition, Virginia was awarded a companion award from the GFOA for its FY 1999 Popular Report, entitled *Virginia Financial Perspective*. This is the fifth consecutive year that Virginia's Popular Report has received this award.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'W E Landside', written in a cursive style.

William E. Landside

Enclosure

SUMMARY OF GENERAL FUND ACTIVITY

Commonwealth of Virginia
Preliminary Balance Sheet
General Fund - Budgetary (Cash) Basis (Unaudited)
June 30, 2000
(Dollars in Thousands)

Assets

Cash, Cash Equivalents, and Investments	\$ 1,864,152	
Petty Cash and Travel Advances	<u>1,264</u>	
Total Assets		<u><u>\$ 1,865,416</u></u>

Liabilities and Fund Equity

Liabilities:

Deficit Loans Payable	10,000	
Deposits Pending Distribution	<u>85</u>	
Total Liabilities		\$ 10,085

Fund Equity:

Reserved Fund Balance:

Revenue Stabilization Reserve Fund	574,633	
Revenue Stabilization Reserve 1999	103,346	
Payroll Reserve for July 3, 2000 Payroll	<u>67,509</u>	
Total Reserved Fund Balance		745,488

Unreserved Fund Balance:

Designated:

Amount Required for Reappropriation of 2000 Unexpended Balances

Mandatory Reappropriations	117,051
Discretionary Reappropriations	34,772
Capital Outlay	352,038
Amount Required by Ch. 1073, 2000 Acts of Assembly	428,406
Virginia Water Quality Improvement Fund - Part A	622
Virginia Water Quality Improvement Fund - Part B	2,070
Natural Disaster Sum Sufficient	3,932
Revenue Stabilization Fund Contribution	<u>170,952</u>

Total Designated Fund Balance 1,109,843

Undesignated Fund Balance -

Total Unreserved Fund Balance 1,109,843

Total Fund Equity 1,855,331

Total Liabilities and Fund Balance \$ 1,865,416

The accompanying notes are an integral part of this statement

Commonwealth of Virginia
Preliminary Statement of Revenues, Expenditures,
and Changes in Fund Balance
General Fund - Budgetary (Cash) Basis (Unaudited)
For the Fiscal Years Ended June 30, 1996 through June 30, 2000
(Dollars in Thousands)

	Year Ended				
	June 30, 2000	June 30, 1999	June 30, 1998	June 30, 1997	June 30, 1996
Revenues:					
Taxes:					
Individual and Fiduciary Income	\$ 6,828,906	\$ 6,087,851	\$ 5,405,440	\$ 4,727,791	\$ 4,300,922
Sales and Use	2,201,533	2,065,265	1,919,216	1,826,761	1,721,965
Corporation Income	565,909	420,421	450,780	432,298	402,337
Public Service Corporations	104,197	111,949	101,782	126,283	115,509
Premiums of Insurance Companies	251,074	244,910	236,971	219,032	218,046
Other Taxes	438,616	450,656	377,462	320,644	258,961
Total Taxes	10,390,235	9,381,052	8,491,651	7,652,809	7,017,740
Rights and Privileges	34,098	34,623	26,795	32,348	30,400
Sales of Property and Commodities	1,146	2,955	533	881	14
Assessments and Receipts for Support of Special Services	170	323	240	390	459
Institutional Revenue	9,142	8,353	10,636	11,691	11,033
Interest, Dividends, and Rents	150,545	139,824	115,470	120,282	88,244
Fines, Forfeitures, Court Fees, Penalties, and Escheats	127,280	128,945	119,141	285,256	101,224
Receipts from Cities, Counties, and Towns	9,368	10,097	10,784	13,515	11,524
Private Donations, Gifts and Contracts	5	2	-	-	91
Tobacco Master Settlement	66,938	-	-	-	-
Other	24,717	10,019	7,181	13,745	21,045
Total Revenues	10,813,644	9,716,193	8,782,431	8,130,917	7,281,774
Expenditures:					
General Government	809,485	591,531	381,435	381,388	373,465
Education	3,921,500	3,713,657	3,226,260	3,056,863	2,790,664
Transportation	232	47	24	1,738	12
Resources and Economic Development	226,280	213,466	168,587	145,794	166,707
Individual and Family Services	2,333,410	2,082,840	1,962,171	1,867,247	1,839,400
Administration of Justice	1,780,235	1,658,837	1,478,440	1,338,454	1,267,365
Capital Projects	40,076	32,557	25,250	31,909	25,797
Total Expenditures	9,111,218	8,292,935	7,242,167	6,823,393	6,463,410
Revenues over Expenditures	1,702,426	1,423,258	1,540,264	1,307,524	818,364
Other Financing Sources (Uses):					
Transfers:					
Operating Transfers Mandated by Appropriation Act	-	396,453	388,595	407,120	459,881
Operating Transfers In	452,636	5,003	3,968	1,579	8,951
Operating Transfers In From Component Units	1,940	37	2,161	-	-
Operating Transfers Out	(324,743)	(344,328)	(244,119)	(203,775)	(182,483)
Operating Transfers Out To Component Units	(1,576,558)	(1,325,031)	(1,183,787)	(1,051,599)	(979,121)
Total Other Financing Sources (Uses)	(1,446,725)	(1,267,866)	(1,033,182)	(846,675)	(692,772)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	255,701	155,392	507,082	460,849	125,592
Fund Balance, July 1					
Reserved	616,589	473,722	292,316	155,109	151,647
Unreserved	983,041	970,516	644,840	321,198	199,068
Fund Balance, July 1	1,599,630	1,444,238	937,156	476,307	350,715
Fund Balance, June 30					
Reserved	745,488	616,589	473,722	292,316	155,109
Unreserved	1,109,843	983,041	970,516	644,840	321,198
Fund Balance, June 30	\$ 1,855,331	\$ 1,599,630	\$ 1,444,238	\$ 937,156	\$ 476,307

The accompanying notes are an integral part of this financial statement.

Commonwealth of Virginia
Preliminary Statement of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
General Fund - Budgetary (Cash) Basis (Unaudited)
For the Fiscal Year Ended June 30, 2000
(Dollars in Thousands)

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes:			
Individual and Fiduciary Income	\$ 6,868,400	\$ 6,828,906	\$ (39,494)
State Sales and Use	2,205,600	2,201,533	(4,067)
Corporation Income	481,500	565,909	84,409
Public Service Corporations	121,400	104,197	(17,203)
Premiums of Insurance Companies	249,600	251,074	1,474
Other Taxes	438,700	438,616	(84)
Rights and Privileges	33,000	34,098	1,098
Sales of Property	1,000	1,146	146
Assessments and Receipts for Support of Special Services	300	170	(130)
Institutional Revenue	8,400	9,142	742
Interest, Dividends, and Rents	135,000	150,545	15,545
Fines, Forfeitures, Court Fees, Penalties, and Escheats	138,800	127,280	(11,520)
Receipts from Cities, Counties, and Towns	9,700	9,368	(332)
Private Donations, Gifts and Contracts	-	5	5
Tobacco Master Settlement	66,600	66,938	338
Other	24,300	24,717	417
Total Revenues	10,782,300	10,813,644	31,344
Expenditures:			
Current:			
General Government	823,781	809,485	14,296
Education	3,937,823	3,921,500	16,323
Transportation	238	232	6
Resources and Economic Development	246,540	226,280	20,260
Individual and Family Services	2,351,858	2,333,410	18,448
Administration of Justice	1,832,760	1,780,235	52,525
Capital Outlay	40,076	40,076	-
Total Expenditures	9,233,076	9,111,218	121,858
Revenues Over (Under) Expenditures	1,549,224	1,702,426	153,202
Other Financing Sources (Uses):			
Transfers:			
Operating Transfers In	433,937	452,636	18,699
Operating Transfers In From Component Units	1,900	1,940	40
Operating Transfers Out	(325,125)	(324,743)	382
Operating Transfers Out To Component Units	(1,578,326)	(1,576,558)	1,768
Total Other Financing Sources (Uses)	(1,467,614)	(1,446,725)	20,889
Revenues and Other Sources Over (Under)			
Expenditures and Other Uses	81,610	255,701	174,091
Fund Balance, July 1	1,599,630	1,599,630	-
Fund Balance, June 30	\$ 1,681,240	\$ 1,855,331	\$ 174,091

The accompanying notes are an integral part of this financial statement.

Commonwealth of Virginia
Preliminary Comparison of Sum-Sufficient Estimated Appropriations
With Actual Expenditures
General Fund - Budgetary (Cash) Basis (Unaudited)
For the Fiscal Year Ended June 30, 2000
(Dollars in Thousands)

	<u>Estimated Appropriations</u>	<u>Actual Expenditures</u>	<u>Amount Under (Over) Estimate</u>
Enactment of Laws	\$ 29,057	\$ 26,492	\$ 2,565
Financial Assistance to Localities -- From Sale of Alcoholic Beverages and Other Distributions	66,640	66,640	-
Financial Assistance for Special State Revenue Sharing (Sales Tax)	734,100	730,739	3,361
Disaster Planning and Operations	<u>110</u>	<u>104</u>	<u>6</u>
Totals	<u>\$ 829,907</u>	<u>\$ 823,975</u>	<u>\$ 5,932</u>

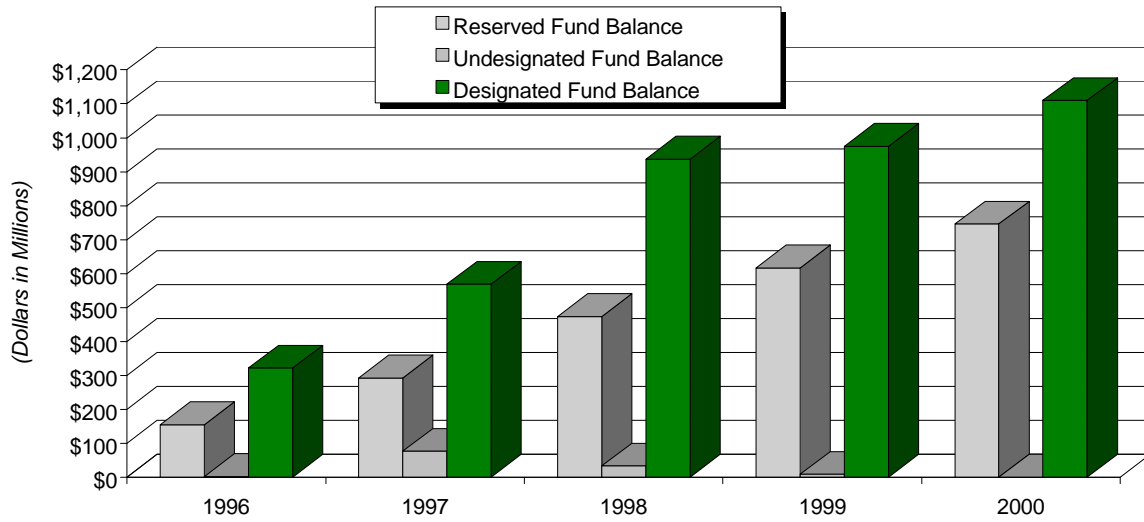
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GENERAL FUND GRAPHICS

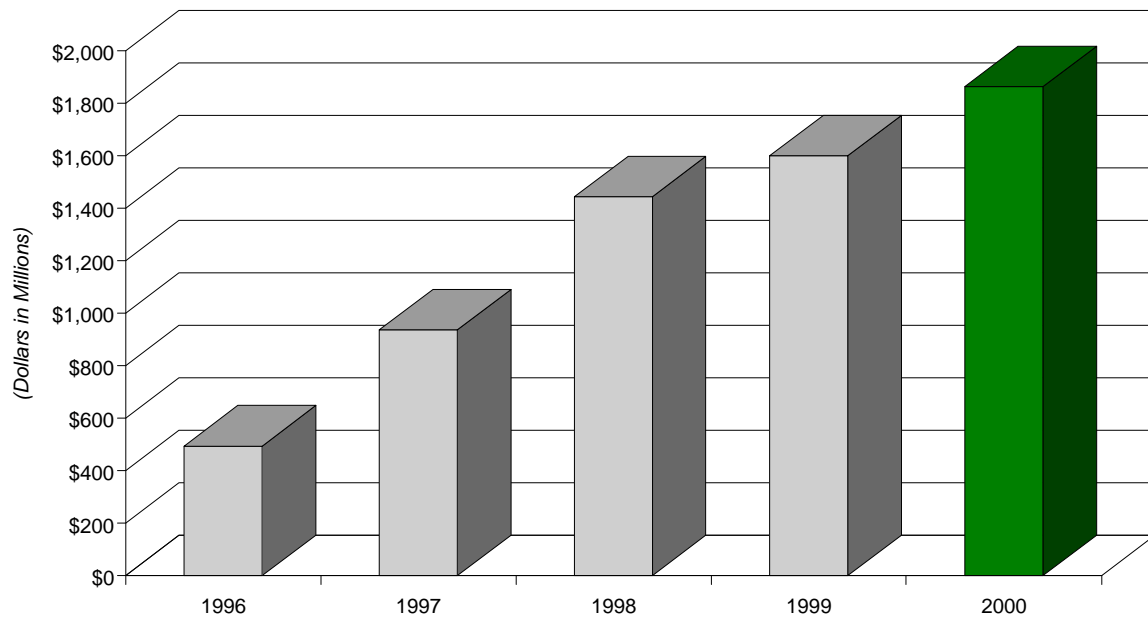
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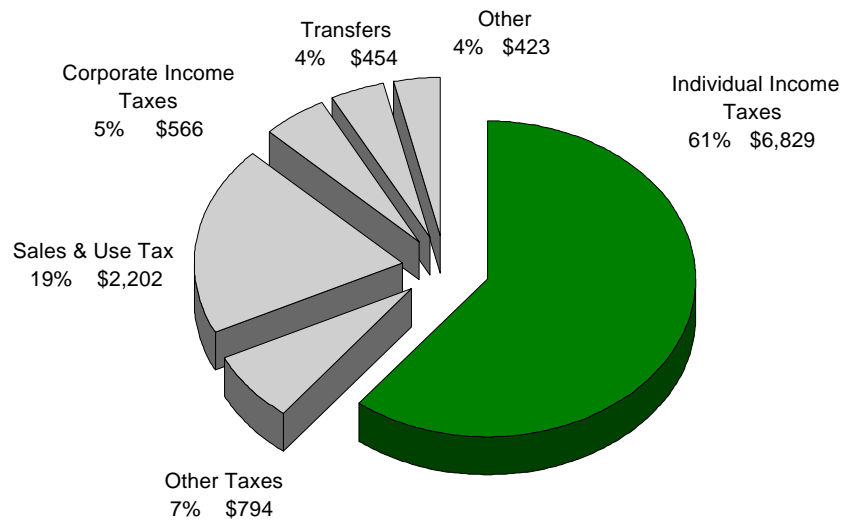
**General Fund
Fund Balance
Fiscal Years 1996-2000**



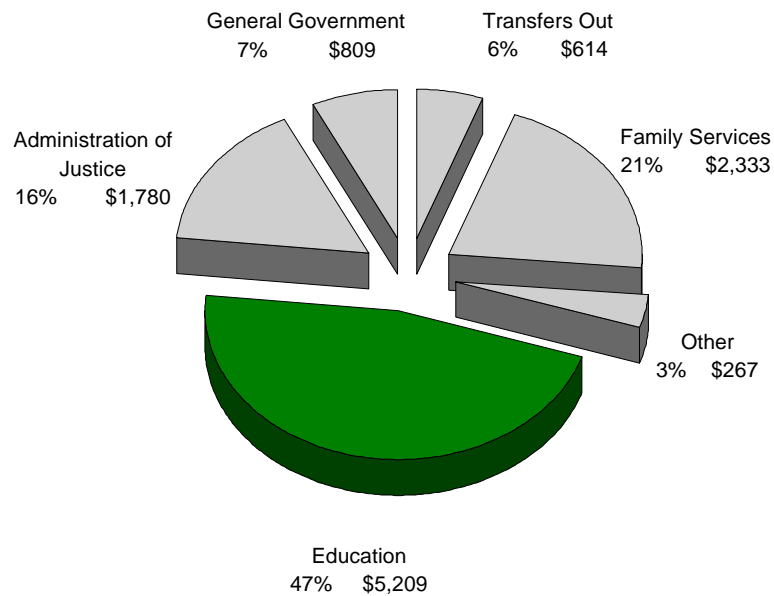
**General Fund
Cash, Cash Equivalents, and Investments
Fiscal Years 1996-2000**



**General Fund
Revenues by Revenue Class and Other Sources
Fiscal Year 2000
(Dollars in Millions)**

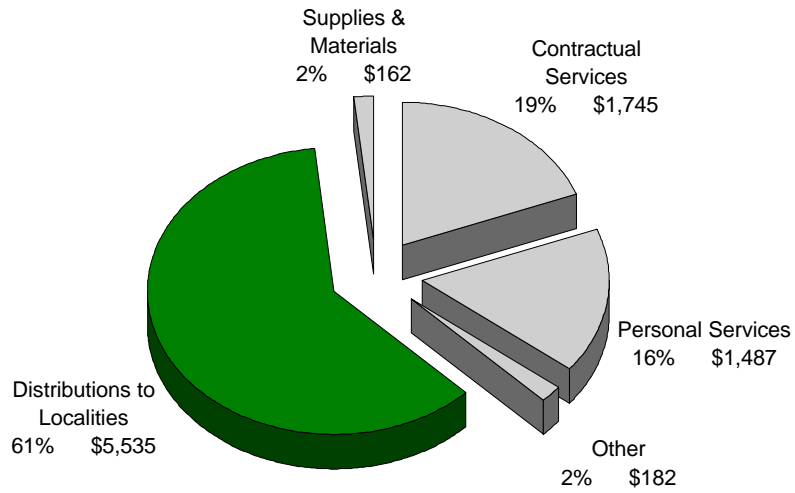


**General Fund
Expenditures by Function and Other Uses
Fiscal Year 2000
(Dollars in Millions)**

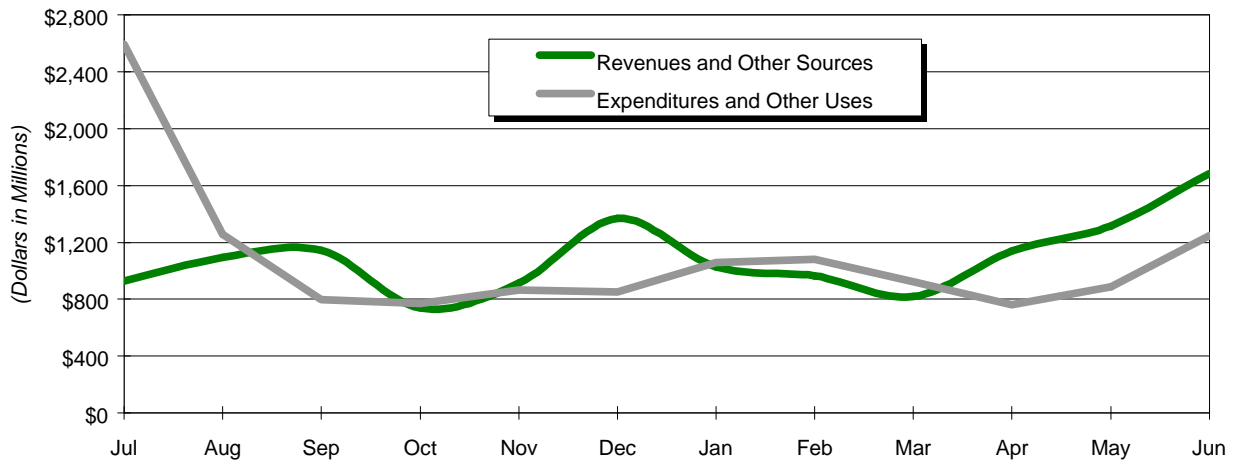


Note: Net Education Transfers of \$1.287 billion are reclassified from Transfers Out to Education expenditures.

**General Fund
Expenditures by Object
Fiscal Year 2000
(Dollars in Millions)**



**General Fund
Revenues and Other Sources and
Expenditures and Other Uses by Month
Fiscal Year 2000**



Note: July expenditures include \$1.269 billion in Transfers Out to Higher Education.

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GENERAL FUND NOTES

COMMONWEALTH OF VIRGINIA

NOTES TO PRELIMINARY FINANCIAL STATEMENTS

JUNE 30, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying General Fund financial statements of the Commonwealth of Virginia have been prepared on a budgetary (cash) basis of accounting. Revenues and expenditures are recorded at the time cash is actually received or disbursed according to the provisions of the Appropriation Act; therefore, no accruals of revenues or expenditures have been included.

The General Fund includes transactions related to cash received and used for those services traditionally provided by a state government, which are not accounted for in other funds. It is a governmental fund and therefore its focus is on the measurement of financial position and related changes thereto, rather than on income determination. No other funds are presented in this report.

All funds will be presented using the appropriate bases of accounting as defined by generally accepted accounting principles in the Annual Report of the Comptroller, to be issued December 15, 2000.

B. Budget

Budgetary amounts shown in the financial statements represent Chapter 464, as amended by Chapters 1, 935, and 1072, and as adjusted for executive and other administrative actions. The Commonwealth's budget is prepared principally on a cash basis and represents appropriations as authorized by the General Assembly. The Governor, as required by the *Code of Virginia*, submits to the General Assembly a budget composed of all proposed expenditures for the State and of estimated revenues and borrowings for a biennium.

The budget is prepared on a biennial basis; however, the budget of the General Fund contains separate appropriations for each year within the biennial budget, as approved by the General Assembly and signed into law by the Governor. For management control purposes, the budget is controlled at the program level. The Director of the Department of Planning and Budget may transfer an appropriation within a State agency or from one State agency to another, provided that total fund appropriations, as contained within the budget, are not exceeded. Increases in General Fund appropriations must be approved by the General Assembly.

2. ANALYSIS OF GENERAL FUND REVENUE

The Department of Accounts produces a monthly General Fund Statement of Revenue Collections, Estimates, and Transfers. The following analysis relates components of the Preliminary General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance with the monthly revenue report for June 30, 2000.

<i>(Dollars in Thousands)</i>	Preliminary Financial Statements	Monthly Statement of Revenue	Variance
Total Revenue	\$ 10,813,644	\$ 10,788,482	\$ 25,162 (a)
(a) Reversal of prior year reclass of Non-sufficient Fund			
Checks not reflected on the Revenue Report		\$ 490	
Interest on the Revenue Stabilization Fund not reported in the Revenue Report		19,025	
Appropriation Act transfers recorded as revenue on the Preliminary Financial Statements		6,421	
Non-sufficient Fund Checks reclassified as a reduction in revenue for financial reporting purposes		(774)	
		<u>\$ 10,813,644</u>	

3. **APPROPRIATION ACT TRANSFERS**

Prior to fiscal year ended June 30, 2000, Appropriation Act transfers were reported on a separate line item. For fiscal year ended June 30, 2000, Appropriation Act transfers are \$437.5 million. The following analysis shows where Appropriation Act transfers are reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance.

<i>(Dollars in Thousands)</i>	Appropriation Act Transfers
Revenue - Other	\$ 6,421
Transfers In	446,727 (b)
Transfers In From Component Units	1,940
Transfers Out	(17,418)
Transfers Out To Component Units	(127)
Total Appropriation Act Transfers	<u>\$ 437,543</u>

(b) Includes ABC Profit transfers of approximately \$30.1 million.

4. **REVENUE STABILIZATION FUND**

In accordance with Article X, Section 8 of the *Constitution of Virginia*, the amount estimated as required for the Revenue Stabilization Fund must be appropriated for that purpose by the General Assembly. The next deposit of \$103.3 million was appropriated by Chapter 1073, 2000 Acts of Assembly, for the 2000-2002 biennium. In accordance with past policies, the deposit resulting from FY 2000 revenue collections is designated, to the extent funds are available, pending certification from the Auditor of Public Accounts. This deposit is estimated at \$187.1 million; however, only \$171.0 million is designated. For FY 2000, sufficient cash is not available to designate the entire estimated deposit.

The Revenue Stabilization Fund has principal and interest on deposit of \$574.6 million reserved as a part of General Fund equity. The amount on deposit cannot exceed ten percent of the Commonwealth's

average annual tax revenues derived from taxes on income and retail sales for FY 2000, FY 1999, and FY 1998. The maximum amount allowed in FY 2000 is \$864.9 million.

5. THE REPORTING ENTITY

Government Accounting Standards Board Statement (GASBS) No. 14, *The Reporting Entity*, effective for fiscal years beginning after June 15, 1993, requires that specific criteria be used to determine entities that must be included in the Commonwealth's financial statements. Effective July 1, 1996, the Virginia Department of Economic Development was divided into two entities: the Department of Business Assistance and the Virginia Economic Development Partnership (VEDP). The VEDP is reported as a discrete component unit of the Commonwealth, and thus is not included in this cash basis report of the General Fund. Fiscal year 1996 has not been restated for GASBS No. 14, and includes expenditures for the VEDP. Thus, a comparison of expenditures between years may not be appropriate.

6. VIRGINIA WATER QUALITY IMPROVEMENT FUND

Section 10.1-2128 of the *Code of Virginia* established the Virginia Water Quality Improvement Fund. The Fund was established to provide Water Quality Improvement Grants to various entities to assist in pollution prevention and reduction. The Fund shall consist of amounts appropriated by the General Assembly. Unless otherwise specified by the general appropriation act, these appropriations shall consist of ten percent of revenues collected in excess of the official estimate and ten percent of any unreserved fund balance not required for reappropriation. For the year ended June 30, 2000, we have designated \$.6 million and \$2.1 million that represent ten percent of the excess revenue collections and ten percent of the unreserved fund balance not required for reappropriation, respectively. Upon appropriation by the General Assembly, \$2.7 million will be transferred from the General Fund to the Virginia Water Quality Improvement Fund.

GLOSSARY

BALANCE SHEET

1. **Cash, Cash Equivalents, and Investments** - All cash, cash equivalents, and investments are maintained by the Treasurer of Virginia. Cash includes demand deposits, time deposits, and certificates of deposit. Cash equivalents are investments with an original maturity of three months or less. Short-term investments held are stated at cost, which approximates market value.
2. **Petty Cash and Travel Advances** - Funds advanced to agencies to make immediate cash payments for authorized purposes. Also included are funds advanced to agency employees to cover expenses incurred while traveling on State business.
3. **Deficit Loans Payable** – Loans authorized in accordance with Chapter 1072, Section 4-3.01(a)
4. **Deposits Pending Distribution** - This represents miscellaneous amounts held by several agencies in suspense accounts pending distribution.
5. **Reserved Fund Balance** - Items are reserved to indicate that a particular portion of fund balance is not available to fund operations.
6. **Designated Fund Balance** - Consists of designations established to reflect tentative plans for future utilization of current financial resources. Designated Fund Balance represents:
 - **Amount Required for Reappropriation of 2000 Unexpended Balances, Mandatory Reappropriations, Discretionary Reappropriations and Capital Outlay** – This portion of fund balance represents the fiscal year 2000 unexpended appropriations which the Department of Planning and Budget anticipates reappropriating in the next fiscal year.
 - **Amount Required by Chapter 1073, 2000 Acts of Assembly** – This portion of fund balance represents the amount that must be carried forward to the following year to balance the biennial budget.
 - **Virginia Water Quality Improvement Fund** – This portion of fund balance represents amounts to be transferred to the Virginia Water Quality Improvement fund upon appropriation by the General Assembly. As prescribed by Section 10.1-2128 of the *Code of Virginia*, the calculated contribution is \$2.7 million.
 - **Natural Disaster Sum Sufficient** – This portion of fund balance represents the estimated costs of responding to and recovering from damage caused by hurricanes, blizzards, and floods. The majority of these funds will be used to provide the state match for assistance to individuals and for repairing damage to public property facilities.
 - **Revenue Stabilization Fund Contribution** – This figure represents a portion of the fund balance available as a future deposit to the Revenue Stabilization Fund. As prescribed by the *Constitution of Virginia*, Article X, Section 8, the Revenue Stabilization Fund calculated contribution, resulting from revenues collected for the year ended June 30, 2000, is \$187.1 million; however, only \$171.0 million is designated. For FY 2000, sufficient cash is not available to designate the entire amount.
7. **Undesignated Fund Balance** - The amount of fund balance remaining from operations of the current and prior years, net of amounts established as reserved and designated. As of June 30, 2000, there is no unreserved undesignated fund balance remaining.

INCOME STATEMENT

Revenues:

8. **Taxes** - Charges of money imposed by the Commonwealth on persons or property for public purposes.
9. **Rights and Privileges** - Registration fees, licenses, and permits. Examples include domestic and foreign corporate registration fees and marriage licenses.

10. **Sales of Property and Commodities** - Revenue collected from sales of Commonwealth assets and goods. Examples include sales of State publications.
11. **Assessments and Receipts for Support of Special Services** - Revenues collected for services provided by the Commonwealth's agencies. An example is audit services provided to cities, counties, and towns.
12. **Institutional Revenue** - Revenue generated primarily from sales by the Departments of Corrections and Mental Health, Mental Retardation and Substance Abuse Services. Examples include the sale of farm and dairy products.
13. **Interest, Dividends, and Rent** - Interest earnings and rental income. Examples include interest on Commonwealth bank accounts and investments and interest on delinquent taxes. Interest allocated to various other funds is not included here.
14. **Fines, Forfeitures, Court Fees, Penalties, and Escheats** - Fines, penalties, etc., primarily collected by the Department of Taxation and the court system. Examples include court processing fees and penalties for nonpayment of taxes.
15. **Receipts from Cities, Counties, and Towns** - Revenue collected from city and county treasurers representing miscellaneous fees and allowances of local law enforcement officials.
16. **Private Donations, Gifts, and Contracts** - This amount represents donations and grants from individuals and private companies to State programs, such as donations to the Frontier Culture Museum.
17. **Tobacco Master Settlement** – This amount represents the revenue generated from the Tobacco Master Settlement Agreement with tobacco companies.
18. **Other Revenue** - All other revenue collections that are not included in the above categories. Examples include refunds of expenditures and miscellaneous disbursements made in prior years, excess fees paid into the State Treasury, and recovery of Statewide indirect costs.

Expenditures:

19. **General Government** - Expenditures to support the general activities of the state, regional, and local levels of government. Examples include administrative and support services, general financial assistance to localities, and information systems management and direction.
20. **Education** - Expenditures to assist individuals in developing knowledge, skills, and cultural awareness. Examples include elementary and secondary education, instruction, supervision and assistance and higher education. Education and General transfers to colleges and universities are reflected as an Operating Transfer Out to Component Units and not an expenditure.
21. **Transportation** - Expenditures related to the movement of people, goods, and services and their regulation. Examples include ground, water and air transportation.
22. **Resources and Economic Development** - Expenditures to develop the economic base, including alternative natural resources and to regulate it with regard to varied public interests of the Commonwealth. Examples include resource management, economic development, promotion and improvement, as well as the regulation of professions and occupations.
23. **Individual and Family Services** - Expenditures to support the economic, social and physical well being of the individual and family. Included are disease research, prevention, and control, state health services and community health services.
24. **Administration of Justice** - Expenditures related to civil and criminal justice, including apprehension, trial, punishment, and rehabilitation of law violators. Examples include crime deterrence, suppression and control, adjudication, confinement and community custody.

25. **Capital Projects** - Construction and preparation of Commonwealth assets.

Other Financing Sources (Uses):

26. **Operating Transfers In** - This balance reflects transfers in from other nongeneral funds.

27. **Operating Transfers In From Component Units** - This relates to transfers in from component units as defined by GASB Statement No. 14, "*The Reporting Entity*."

28. **Operating Transfers Out** - The balance represents transfers from the General Fund to other nongeneral funds.

29. **Operating Transfers Out To Component Units** - This represents General Fund transfers out to component units. It includes net transfers to higher education of \$1.287 billion.

If you have any questions or comments regarding information contained in this report, please contact us at

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